



ANNUAL STATEMENT  
For the Year Ending December 31, 2005  
OF THE CONDITION AND AFFAIRS OF THE  
Advantage Healthplan Inc.

NAIC Group Code	0000 (Current Period)	0000 (Prior Period)	NAIC Company Code	95803	Employer's ID Number	52-1789742
Organized under the Laws of	District of Columbia		State of Domicile or Port of Entry	District of Columbia		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[ ] Dental Service Corporation[ ] Other[ ] Property/Casualty[ ] Vision Service Corporation[ ] Is HMO Federally Qualified? Yes[ ] No[X] N/A[ ] Hospital, Medical & Dental Service or Indemnity[ ] Health Maintenance Organization[X]					
Incorporated/Organized	07/31/1992		Commenced Business	11/01/1994		
Statutory Home Office	1701 K Street, N.W., Suite 725 (Street and Number)		Washington, DC 20006 (City, or Town, State and Zip Code)			
Main Administrative Office	Washington, DC 20006 (City or Town, State and Zip Code)		(202)785-7835 (Area Code) (Telephone Number)			
Mail Address	P.O. Box 9596 (Street and Number or P.O. Box)		Washington, DC 20016 (City, or Town, State and Zip Code)			
Primary Location of Books and Records	Washington, DC 20006 (City, or Town, State and Zip Code)		(202)785-7835 (Area Code) (Telephone Number)			
Internet Website Address						
Statutory Statement Contact	Clinton E Jones (Name)		(202)785-7835 (Area Code)(Telephone Number)(Extension)			
	cjones@ahealthplan.com (E-Mail Address)		(202)785-7839 (Fax Number)			
Policyowner Relations Contact	Washington , DC 20006 (City, or Town, State and Zip Code)		(202)785-7835 (Area Code) (Telephone Number)(Extension)			

OFFICERS

Name	Title
Elliot R. Wolff	President
Saralyn V. Wolff	Secretary
Clinton E Jones	Chief Financial Officer
Barrington B. Barnes MD	Medical Director

OTHERS

DIRECTORS OR TRUSTEES

Elliot R. Wolff  
Barrington B. Barnes MD  
Saralyn V Wolff

State of District of Columbia  
County of ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Elliot R. Wolff (Printed Name) President (Title)	(Signature) Barrington B. Barnes, M.D. (Printed Name) Medical Director (Title)	(Signature) Clinton E. Jones (Printed Name) Chief Financial Officer (Title)
Subscribed and sworn to before me this day of , 2006	a. Is this an original filing? b. If no, 1. State the amendment number 2. Date filed 3. Number of pages attached	Yes[X] No[ ]   

(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D) .....	1,419,653	64,995	1,354,658	2,161,181
2.	Stocks (Schedule D)				
2.1	Preferred stocks .....	28,000		28,000	29,250
2.2	Common Stocks .....	621,430		621,430	250,969
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens .....				
3.2	Other than first liens .....				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$..... encumbrances) .....				
4.2	Properties held for the production of income (less \$..... encumbrances) .....				
4.3	Properties held for sale (less \$..... encumbrances) .....				
5.	Cash (\$.....57,703 Schedule E Part 1), cash equivalents (\$..... Schedule E Part 2) and short-term investments (\$.....150,000 Schedule DA) .....	207,703		207,703	168,790
6.	Contract loans (including \$..... premium notes) .....				
7.	Other invested assets (Schedule BA) .....				
8.	Receivables for securities .....				
9.	Aggregate write-ins for invested assets .....				
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	2,276,786	64,995	2,211,791	2,610,190
11.	Title plants less \$..... charged off (for Title insurers only) .....				
12.	Investment income due and accrued .....	38,076		38,076	33,626
13.	Premiums and considerations				
13.1	Uncollected premiums and agents' balances in the course of collection .....				
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$..... earned but unbilled premiums) .....				
13.3	Accrued retrospective premiums .....				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers .....				
14.2	Funds held by or deposited with reinsured companies .....				
14.3	Other amounts receivable under reinsurance contracts .....				
15.	Amounts receivable relating to uninsured plans .....				
16.1	Current federal and foreign income tax recoverable and interest thereon .....				
16.2	Net deferred tax asset .....				
17.	Guaranty funds receivable or on deposit .....				
18.	Electronic data processing equipment and software .....				
19.	Furniture and equipment, including health care delivery assets (\$.....) .....				
20.	Net adjustment in assets and liabilities due to foreign exchange rates .....				
21.	Receivables from parent, subsidiaries and affiliates .....				
22.	Health care (\$.....) and other amounts receivable .....				25,885
23.	Aggregate write-ins for other than invested assets .....	3,126	3,126		
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	2,317,988	68,121	2,249,867	2,669,702
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26.	Total (Lines 24 and 25) .....	2,317,988	68,121	2,249,867	2,669,702
DETAILS OF WRITE-INS					
0901	.....				
0902	.....				
0903	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301.	Deposit paid on Administrative office space .....	3,126	3,126		
2302.	.....				
2303	.....				
2398.	Summary of remaining write-ins for Line 23 from overflow page .....				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	3,126	3,126		

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded) .....				110,579
2.	Accrued medical incentive pool and bonus amounts .....				250,250
3.	Unpaid claims adjustment expenses .....				28,554
4.	Aggregate health policy reserves .....				855,472
5.	Aggregate life policy reserves .....				
6.	Property/casualty unearned premium reserves .....				
7.	Aggregate health claim reserves .....				
8.	Premiums received in advance .....				
9.	General expenses due or accrued .....		63,486	63,486	281,835
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses)) .....				
10.2	Net deferred tax liability .....				
11.	Ceded reinsurance premiums payable .....				
12.	Amounts withheld or retained for the account of others .....				
13.	Remittance and items not allocated .....				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) .....				
15.	Amounts due to parent, subsidiaries and affiliates .....				
16.	Payable for securities .....				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers) .....				
18.	Reinsurance in unauthorized companies .....				
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Liability for amounts held under uninsured accident and health plans .....				
21.	Aggregate write-ins for other liabilities (including \$..... current) .....				
22.	Total liabilities (Lines 1 to 21) .....		63,486	63,486	1,526,690
23.	Aggregate write-ins for special surplus funds .....	X X X	X X X		
24.	Common capital stock .....	X X X	X X X	130,250	130,250
25.	Preferred capital stock .....	X X X	X X X		
26.	Gross paid in and contributed surplus .....	X X X	X X X	339,780	339,780
27.	Surplus notes .....	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
29.	Unassigned funds (surplus) .....	X X X	X X X	1,716,351	672,982
30.	Less treasury stock, at cost:				
30.1	..... shares common (value included in Line 24 \$.....) .....	X X X	X X X		
30.2	..... shares preferred (value included in Line 25 \$.....) .....	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30) .....	X X X	X X X	2,186,381	1,143,012
32.	Total Liabilities, capital and surplus (Lines 22 and 31) .....	X X X	X X X	2,249,867	2,669,702
DETAILS OF WRITE-INS					
2101	.....				
2102	.....				
2103	.....				
2198.	Summary of remaining write-ins for Line 21 from overflow page .....				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....				
2301	.....	X X X	X X X		
2302	.....	X X X	X X X		
2303	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	X X X	X X X		
2801	.....	X X X	X X X		
2802	.....	X X X	X X X		
2803	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page .....	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above) .....	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months .....	X X X .....		31,001
2.	Net premium income (including \$..... non-health premium income) .....	X X X .....		6,306,946
3.	Change in unearned premium reserves and reserve for rate credits .....	X X X .....		
4.	Fee-for-service (net of \$..... medical expenses) .....	X X X .....		
5.	Risk revenue .....	X X X .....		
6.	Aggregate write-ins for other health care related revenues .....	X X X .....	388,662	12,201
7.	Aggregate write-ins for other non-health revenues .....	X X X .....	4,544	
8.	Total revenues (Lines 2 to 7) .....	X X X .....	393,206	6,319,147
Hospital and Medical:				
9.	Hospital/medical benefits .....			1,902,194
10.	Other professional services .....			
11.	Outside referrals .....			854,070
12.	Emergency room and out-of-area .....			332,609
13.	Prescription drugs .....			666,621
14.	Aggregate write-ins for other hospital and medical .....			
15.	Incentive pool, withhold adjustments and bonus amounts .....		(167,653)	(72,000)
16.	Subtotal (Lines 9 to 15) .....		(167,653)	3,683,494
Less:				
17.	Net reinsurance recoveries .....			400
18.	Total hospital and medical (Lines 16 minus 17) .....		(167,653)	3,683,094
19.	Non-health claims (net) .....			
20.	Claims adjustment expenses, including \$..... cost containment expenses .....			322,593
21.	General administrative expenses .....		528,307	1,729,384
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) .....		(855,472)	798,694
23.	Total underwriting deductions (Lines 18 through 22) .....		(494,818)	6,533,765
24.	Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X .....	888,024	(214,618)
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17) .....		115,809	(162,301)
26.	Net realized capital gains (losses) less capital gains tax of \$.....			
27.	Net investment gains (losses) (Lines 25 plus 26) .....		115,809	(162,301)
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] .....			
29.	Aggregate write-ins for other income or expenses .....			(48,457)
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X .....	1,003,833	(425,376)
31.	Federal and foreign income taxes incurred .....	X X X .....		
32.	Net income (loss) (Lines 30 minus 31) .....	X X X .....	1,003,833	(425,376)
DETAILS OF WRITE-INS				
0601.	Healthcare settlements and sales of Furniture & Fixtures .....	X X X .....	388,662	12,201
0602.	.....	X X X .....		
0603.	.....	X X X .....		
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	X X X .....		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X .....	388,662	12,201
0701.	Payment of loan by former employee .....	X X X .....	4,544	
0702.	.....	X X X .....		
0703.	.....	X X X .....		
0798.	Summary of remaining write-ins for Line 7 from overflow page .....	X X X .....		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above) .....	X X X .....	4,544	
1401.	.....			
1402.	.....			
1403.	.....			
1498.	Summary of remaining write-ins for Line 14 from overflow page .....			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....			
2901.	Penalties for late filing .....			(48,457)
2902.	.....			
2903.	.....			
2998.	Summary of remaining write-ins for Line 29 from overflow page .....			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above) .....			(48,457)

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year .....	1,143,012	1,589,280
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34.	Net income or (loss) from Line 32 .....	1,003,833	(425,376)
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....		
37.	Change in net unrealized foreign exchange capital gain or (loss) .....	15,762	
38.	Change in net deferred income tax .....		
39.	Change in nonadmitted assets .....	23,773	5,494
40.	Change in unauthorized reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....		
43.	Cumulative effect of changes in accounting principles .....		
44.	Capital Changes:		
44.1	Paid in .....		
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....		
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....		
48.	Net change in capital and surplus (Lines 34 to 47) .....	1,043,368	(419,882)
49.	Capital and surplus end of reporting year (Line 33 plus 48) .....	2,186,380	1,169,398
DETAILS OF WRITE-INS			
4701	.....		
4702	.....		
4703	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance .....	(855,472)	7,373,289
2.	Net investment income .....	116,177	(168,333)
3.	Miscellaneous income .....	393,206	12,201
4.	Total (Lines 1 through 3) .....	(346,089)	7,217,157
5.	Benefit and loss related payments .....	(662,296)	5,716,172
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	556,861	2,329,955
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses) .....		
10.	Total (Lines 5 through 9) .....	(105,435)	8,046,127
11.	Net cash from operations (Line 4 minus 10) .....	(240,654)	(828,970)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	786,212	1,087,268
12.2	Stocks .....		31,986
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7	Miscellaneous proceeds .....		23,636
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	786,212	1,142,890
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	150,000	486,147
13.2	Stocks .....	374,029	15,917
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....	6,564	
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	530,593	502,065
14.	Net increase (decrease) in contract loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	255,619	640,825
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....		
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....	23,947	416
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	23,947	416
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	38,912	(187,730)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year .....	168,790	356,520
19.2	End of year (Line 18 plus Line 19.1) .....	207,703	168,790

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001	.....		
---------	-------	--	--

## (Gain and Loss Exhibit)

[illegible]

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 1 - PREMIUMS**

		1	2	3	4
		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
Line of Business					
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....
5.	Federal Employee Health Benefits Plan .....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	<div>NONE</div>		.....	.....
7.	Title XIX - Medicaid .....			.....	.....
8.	Stop loss .....			.....	.....
9.	Disability income .....			.....	.....
10.	Long-term care .....	.....	.....	.....	.....
11.	Other health .....	.....	.....	.....	.....
12.	Health subtotal (Lines 1 through 11) .....	.....	.....	.....	.....
13.	Life .....	.....	.....	.....	.....
14.	Property/casualty .....	.....	.....	.....	.....
15.	TOTALS (Lines 12 to 14) .....	.....	.....	.....	.....



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2 - Claims Incurred During the Year**

6

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct .....	110,579	1,582						108,997					
1.2 Reinsurance assumed .....													
1.3 Reinsurance ceded .....													
1.4 Net .....	110,579	1,582						108,997					
2. Paid medical incentive pools and bonuses .....	82,597	3,581						79,016					
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct .....													
3.2 Reinsurance assumed .....													
3.3 Reinsurance ceded .....													
3.4 Net .....													
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct .....													
4.2 Reinsurance assumed .....													
4.3 Reinsurance ceded .....													
4.4 Net .....													
5. Accrued medical incentive pools and bonuses, current year .....													
6. Net healthcare receivables (a) .....													
7. Amounts recoverable from reinsurers December 31, current year .....													
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct .....	110,579	1,582						108,997					
8.2 Reinsurance assumed .....													
8.3 Reinsurance ceded .....													
8.4 Net .....	110,579	1,582						108,997					
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct .....													
9.2 Reinsurance assumed .....													
9.3 Reinsurance ceded .....													
9.4 Net .....													
10. Accrued medical incentive pools and bonuses, prior year .....	250,250	3,581						246,669					
11. Amounts recoverable from reinsurers December 31, prior year .....													
12. Incurred benefits:													
12.1 Direct .....													
12.2 Reinsurance assumed .....													
12.3 Reinsurance ceded .....													
12.4 Net .....													
13. Incurred medical incentive pools and bonuses .....	(167,653)							(167,653)					

(a) Excludes \$. loans or advances to providers not yet expensed.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2A - Claims Liability End of Current Year**

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1 Direct .....													
1.2 Reinsurance assumed .....													
1.3 Reinsurance ceded .....													
1.4 Net .....													
2. Incurred but Unreported:													
2.1 Direct .....													
2.2 Reinsurance assumed .....													
2.3 Reinsurance ceded .....													
2.4 Net .....													
3. Amounts Withheld from Paid Claims and Capitations:													
3.1 Direct .....													
3.2 Reinsurance assumed .....													
3.3 Reinsurance ceded .....													
3.4 Net .....													
4. TOTALS													
4.1 Direct .....													
4.2 Reinsurance assumed .....													
4.3 Reinsurance ceded .....													
4.4 Net .....													

NONE

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
Line of Business							
1.	Comprehensive (hospital and medical) .....	1,583				1,583	1,583
2.	Medicare Supplement .....						
3.	Dental only .....						
4.	Vision only .....						
5.	Federal Employees Health Benefits Plan .....						
6.	Title XVIII - Medicare .....						
7.	Title XIX - Medicaid .....	108,996				108,996	108,996
8.	Other health .....						
9.	Health subtotal (Lines 1 to 8) .....	110,579				110,579	110,579
10.	Healthcare receivables (a) .....						
11.	Other non-health .....						
12.	Medical incentive pool and bonus amounts .....	82,597				82,597	250,250
13.	TOTALS (Lines 9 - 10 + 11 + 12) .....	193,176				193,176	360,829

(a) Excludes \$..... loans or advances to providers not yet expensed.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Grand Total**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	388	70	136	12	
2.	2001 .....	3,044	1,328	352	1	
3.	2002 .....	X X X	3,892	1,459	48	
4.	2003 .....	X X X	X X X	5,273	1,310	
5.	2004 .....	X X X	X X X	X X X	4,918	
6.	2005 .....	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	367	340			
2.	2001 .....	1,452	363			
3.	2002 .....	X X X	1,485	100		
4.	2003 .....	X X X	X X X	1,251	82	
5.	2004 .....	X X X	X X X	X X X	140	
6.	2005 .....	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	2001 .....		1,691			1,691				1,691	
2.	2002 .....	7,435	5,340	246	4.607	5,586	75.131		22	5,608	75.427
3.	2003 .....	9,030	8,554	516	6.032	9,070	100.443		50	9,120	100.997
4.	2004 .....	12,732	9,448	616	6.520	10,064	79.045		28	10,092	79.265
5.	2005 .....										

12 Total

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Hospital and Medical**  
**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	25	13		6	
2.	2001 .....	81	18			
3.	2002 .....	X X X	78	27	24	
4.	2003 .....	X X X	X X X	82	655	
5.	2004 .....	X X X	X X X	X X X	2,459	
6.	2005 .....	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	1				
2.	2001 .....	29				
3.	2002 .....	X X X	37	1		
4.	2003 .....	X X X	X X X	17	41	
5.	2004 .....	X X X	X X X	X X X	70	
6.	2005 .....	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	2001 .....		381			381		(363)		18	
2.	2002 .....	174	1,526	34	2.228	1,560	896.552	(1,448)		112	64.368
3.	2003 .....	121	1,442	60	4.161	1,502	1,241.322	(1,333)		169	139.669
4.	2004 .....	6,366	5,107	322	6.305	5,429	85.281	(111)		5,318	83.538
5.	2005 .....										

12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare . . . . .	NONE

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Title XIX - Medicaid**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	363	57	136	6	
2.	2001 .....	2,963	1,310	352	1	
3.	2002 .....	X X X	3,814	1,432	24	
4.	2003 .....	X X X	X X X	5,191	655	
5.	2004 .....	X X X	X X X	X X X	2,459	
6.	2005 .....	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	366	340			
2.	2001 .....	1,423	363			
3.	2002 .....	X X X	1,448	99		
4.	2003 .....	X X X	X X X	1,234	41	
5.	2004 .....	X X X	X X X	X X X	70	
6.	2005 .....	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	2001 .....		1,310			1,310		363		1,673	
2.	2002 .....	7,261	3,814	212	5.558	4,026	55.447	1,448	22	5,496	75.692
3.	2003 .....	8,909	7,112	456	6.412	7,568	84.948	1,333	50	8,951	100.471
4.	2004 .....	6,366	4,341	294	6.773	4,635	72.809	111	28	4,774	74.992
5.	2005 .....										

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)**

**Other**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	.....	.....	.....	.....	.....
2.	2001 .....	.....	.....	.....	.....	.....
3.	2002 .....	X X X .....	.....	.....	.....	.....
4.	2003 .....	X X X .....	X X X .....	.....	.....	.....
5.	2004 .....	X X X .....	X X X .....	X X X .....	.....	.....
6.	2005 .....	X X X .....	X X X .....	X X X .....	X X X .....	.....

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior .....	.....	.....	.....	.....	.....
2.	2001 .....	.....	.....	.....	.....	.....
3.	2002 .....	X X X .....	.....	.....	.....	.....
4.	2003 .....	X X X .....	X X X .....	.....	.....	.....
5.	2004 .....	X X X .....	X X X .....	X X X .....	.....	.....
6.	2005 .....	X X X .....	X X X .....	X X X .....	X X X .....	.....

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	2001 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
2.	2002 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3.	2003 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4.	2004 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
5.	2005 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY**

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
POLICY RESERVE												
1. Unearned premium reserves .....												
2. Additional policy reserves (a) .....												
3. Reserve for future contingent benefits .....												
4. Reserve for rate credits or experience rating refunds (including \$#####) for investment income .....												
5. Aggregate write-ins for other policy reserves .....												
6. Totals (gross) .....												
7. Reinsurance ceded .....												
8. Totals (Net) (Page 3, Line 4) .....												
CLAIM RESERVE												
9. Present value of amounts not yet due on claims .....												
10. Reserve for future contingent benefits .....												
11. Aggregate write-ins for other claim reserves .....												
12. Totals (gross) .....												
13. Reinsurance ceded .....												
14. Totals (Net) (Page 3, Line 7) .....												
DETAILS OF WRITE-INS												
0501 .....												
0502 .....												
0503 .....												
0598. Summary of remaining write-ins for Line 5 from overflow page .....												
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) .....												
1101 .....												
1102 .....												
1103 .....												
1198. Summary of remaining write-ins for Line 11 from overflow page .....												
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) .....												

(a) Includes \$..... premium deficiency reserve.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 3 - ANALYSIS OF EXPENSES**

		Claim Adjustment Expenses		3	4	5
		1	2			
		Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$..... for occupancy of own building) .....			120,618		120,618
2.	Salaries, wages and other benefits .....			240,376		240,376
3.	Commissions (less \$..... ceded plus \$..... assumed) .....					
4.	Legal fees and expenses .....			591		591
5.	Certifications and accreditation fees .....					
6.	Auditing, actuarial and other consulting services .....			107,413		107,413
7.	Traveling expenses .....			11,888		11,888
8.	Marketing and advertising .....					
9.	Postage, express and telephone .....			9,189		9,189
10.	Printing and office supplies .....			608		608
11.	Occupancy, depreciation and amortization .....					
12.	Equipment .....					
13.	Cost or depreciation of EDP equipment and software .....			1,553		1,553
14.	Outsourced services including EDP, claims, and other services .....					
15.	Boards, bureaus and association fees .....			17,520		17,520
16.	Insurance, except on real estate .....			4,023		4,023
17.	Collection and bank service charges .....			31		31
18.	Group service and administration fees .....					
19.	Reimbursements by uninsured accident and health plans .....					
20.	Reimbursements from fiscal intermediaries .....					
21.	Real estate expenses .....					
22.	Real estate taxes .....					
23.	Taxes, licenses and fees:					
23.1	State and local insurance taxes .....					
23.2	State premium taxes .....					
23.3	Regulator authority licenses and fees .....			200		200
23.4	Payroll taxes .....			14,297		14,297
23.5	Other (excluding federal income and real estate taxes) .....					
24.	Investment expenses not included elsewhere .....					
25.	Aggregate write-ins for expenses .....					
26.	Total expenses incurred (Lines 1 to 25) .....			528,307		(a) 528,307
27.	Less expenses unpaid December 31, current year .....			63,486		63,486
28.	Add expenses unpaid December 31, prior year .....		28,554	281,835		310,389
29.	Amounts receivable relating to uninsured accident and health plans, prior year .....					
30.	Amounts receivable relating to uninsured accident and health plans, current year .....					
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) ..		28,554	746,656		775,210
<b>DETAILS OF WRITE-INS</b>						
2501.	0 .....					
2502	.....					
2503	.....					
2598.	Summary of remaining write-ins for Line 25 from overflow page .....					
2599.	Totals (Lines 2501 through 2503 + 2598)(Line 25 above) .....					

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a).....	
1.1	Bonds exempt from U.S. tax .....	(a).....	
1.2	Other bonds (unaffiliated) .....	(a)..... 105,658	88,557
1.3	Bonds of affiliates .....	(a).....	
2.1	Preferred stocks (unaffiliated) .....	(b)..... 2,592	2,592
2.11	Preferred stocks of affiliates .....	(b).....	
2.2	Common stocks (unaffiliated) .....	24,660	24,660
2.21	Common stocks of affiliates .....		
3.	Mortgage loans .....	(c).....	
4.	Real estate .....	(d).....	
5.	Contract loans .....		
6.	Cash, cash equivalents and short-term investments .....	(e).....	
7.	Derivative instruments .....	(f).....	
8.	Other invested assets .....		
9.	Aggregate write-ins for investment income .....		
10.	Total gross investment income .....	132,910	115,809
11.	Investment expenses .....		(g).....
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g).....
13.	Interest expense .....		(h).....
14.	Depreciation on real estate and other invested assets .....		(i).....
15.	Aggregate write-ins for deductions from investment income .....		
16.	Total deductions (Lines 11 through 15) .....		
17.	Net Investment income (Line 10 minus Line 16) .....		115,809
DETAILS OF WRITE-INS			
0901.	0 .....		
0902	.....		
0903	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page .....		
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....		
1501	.....		
1502	.....		
1503	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....		
(a) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.			
(b) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued dividends on purchases.			
(c) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.			
(d) Includes \$..... for company's occupancy of its own buildings; and excludes \$..... interest on encumbrances.			
(e) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.			
(f) Includes \$..... accrual of discount less \$..... amortization of premium.			
(g) Includes \$..... investment expenses and \$..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.			
(h) Includes \$..... interest on surplus notes and \$..... interest on capital notes.			
(i) Includes \$..... depreciation on real estate and \$..... depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds .....				
1.1	Bonds exempt from U.S. tax .....				
1.2	Other bonds (unaffiliated) .....	2,763			2,763
1.3	Bonds of affiliates .....				
2.1	Preferred stocks (unaffiliated) .....				
2.11	Preferred stocks of affiliates .....				
2.2	Common stocks (unaffiliated) .....				
2.21	Common stocks of affiliates .....				
3.	Mortgage loans .....				
4.	Real estate .....				
5.	Contract loans .....				
6.	Cash, cash equivalents and short-term investments .....				
7.	Derivative instruments .....				
8.	Other invested assets .....				
9.	Aggregate write-ins for capital gains (losses) .....				
10.	Total capital gains (losses) .....	2,763			2,763
DETAILS OF WRITE-INS					
0901	.....				
0902	.....				
0903	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page ...				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) ...				

**EXHIBIT OF NONADMITTED ASSETS**

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D) .....	64,995	91,894	26,899
2.	Stocks (Schedule D):			
2.1	Preferred stocks .....			
2.2	Common stocks .....			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens .....			
3.2	Other than first liens .....			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company .....			
4.2	Properties occupied for the production of income .....			
4.3	Properties held for sale .....			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) .....			
6.	Contract loans .....			
7.	Other invested assets (Schedule BA) .....			
8.	Receivables for securities .....			
9.	Aggregate write-ins for invested assets .....			
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	64,995	91,894	26,899
11.	Title plants (for Title insurers only) .....			
12.	Invested income due and accrued .....			
13.	Premium and considerations:			
13.1	Uncollected premiums and agents' balances in the course of collection .....			
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			
13.3	Accrued retrospective premiums .....			
14.	Reinsurance:			
14.1	Amounts recoverable from reinsurers .....			
14.2	Funds held by or deposited with reinsured companies .....			
14.3	Other amounts receivable under reinsurance contracts .....			
15.	Amounts receivable relating to uninsured plans .....			
16.1	Current federal and foreign income tax recoverable and interest thereon .....			
16.2	Net deferred tax asset .....			
17.	Guaranty funds receivable or on deposit .....			
18.	Electronic data processing equipment and software .....			
19.	Furniture and equipment, including health care delivery assets .....			
20.	Net adjustment in assets and liabilities due to foreign exchange rates .....			
21.	Receivable from parent, subsidiaries and affiliates .....			
22.	Health care and other amounts receivable .....			
23.	Aggregate write-ins for other than invested assets .....	3,126		(3,126)
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	68,121	91,894	23,773
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
26.	Total (Lines 24 and 25) .....	68,121	91,894	23,773
<b>DETAILS OF WRITE-INS</b>				
0901	.....			
0902	.....			
0903	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page .....			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....			
2301.	Deposit on Administrative office space .....	3,126		(3,126)
2302	.....			
2303	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page .....			
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	3,126		(3,126)

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment		Total Members at End of					6 Current Year Member Months
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1.	Health Maintenance Organizations .....	14	.....	.....	.....	.....	.....
2.	Provider Service Organizations .....	.....	.....	.....	.....	.....	.....
3.	Preferred Provider Organizations .....	.....	.....	.....	.....	.....	.....
4.	Point of Service .....	.....	.....	.....	.....	.....	.....
5.	Indemnity Only .....	.....	.....	.....	.....	.....	.....
6.	Aggregate write-ins for other lines of business .....	.....	.....	.....	.....	.....	.....
7.	TOTAL .....	14	.....	.....	.....	.....	.....
DETAILS OF WRITE-INS							
0601	.....	.....	.....	.....	.....	.....	.....
0602	.....	.....	.....	.....	.....	.....	.....
0603	.....	.....	.....	.....	.....	.....	.....
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	.....	.....	.....	.....	.....	.....
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	.....	.....	.....	.....	.....	.....

## Notes to Financial Statement

Advantage Healthplan Inc.  
December 31, 2005

### 1. Summary of Significant Accounting Policies

A. The accompanying financial statements of the Advantage Healthplan Inc. (the "Company") have been prepared in conformity with the NAIC Annual Statement Instructions and *Accounting Policies and Procedures* and the laws of the District of Columbia. The Government of the District of Columbia transferred all of the Company's Medicaid enrollees to other HMOs on August 31, 2004. The Company promptly chose to discontinue all HMO operations, including immediate discontinuance of accepting new commercial business, cessation of coverage of commercial enrollees on December 31, 2004, and the subsequent winding up of administrative and other HMO activities. See Note 4 Discontinued Operations.

B. The preparation of the financial statements in conformity with Annual Statement Instructions and *Accounting Practices and Procedures* manual requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses in the financial statements and in the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

C. (1) The Company's short-term investments are at market value.

(2) Bonds are at amortized cost using the scientific interest method.

(3) Common stocks are at market value.

(4) Preferred stocks are at market value.

(5) The Company has no mortgage loans.

(6) The Company has no loan backed securities.

(7) The Company has no investments in subsidiaries, controlled or affiliated companies.

(8) The Company has no investments in joint ventures, partnerships or limited companies.

(9) The Company has no derivatives.

(10) The Company did include anticipated investment income as a factor in the premium deficiency calculation.

(11) There is no liability for incurred but not reported claims and the Plan is in the "run out" phase for claims incurred in prior years. The Plan believes that it has paid all eligible claims for prior periods.

(12) The Company has not changed the capitalization policy.

### 2. Accounting Changes and Corrections of Errors

SSAP No.3 – Accounting Changes and Corrections of Errors require in paragraph 7 that a change in accounting estimate shall be included in the statement of income in the period when the change becomes known. Material accounting estimates that were not included in the original estimate for the Premium Deficiency have been recognized in the statement of revenue and expense, and the reserve has been completely closed.

### 3. Business combinations and Goodwill

There were no business combinations or goodwill

### 4. Discontinued Operations

The Government of the District of Columbia transferred all of the Company's Medicaid enrollees to other HMOs on August 31, 2004. The Medicaid contract represented approximately 99% of the Company's enrollment and premium revenue. Therefore, the Company promptly chose to discontinue all HMO operations including immediate discontinuance of accepting new commercial business, cessation of coverage of commercial enrollees on December 31, 2004, and the subsequent winding up of administrative and other HMO activities. These actions were reported to and approved the District of Columbia Department of Insurance, Securities and Banking.

As of September 30, 2004, assets had been written down to their net realizable value, and the Plan has recorded the estimated loss to wind down its business, including estimated administrative costs associated with healthcare coverage to members, as a premium deficiency.

### 5. Investments

A. Mortgage Loans-The Company has no mortgage loans.

B. Debt Restructuring-The Company has no debt restructuring.

C. Reverse Mortgages-The Company has no reverse mortgages.

D. Loan-Backed Securities-The Company has no loan-backed securities.

E. Repurchase Agreements-The Company has no repurchase agreements.

F. Real Estate-The Company has no real estate.

### 6. Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in joint ventures, partnerships or limited liability companies.

### 7. Investment Income

The Company does not exclude any investment income.

### 8. Derivative Instruments

The Company has no derivative instruments.

### 9. Income Taxes

The Company has elected S Corporation federal income tax status under Sections 1361-1379 of the Internal Revenue Code of 1986, and the Internal Revenue Service has approved that election. Accordingly, the Company is not subject to federal income taxes.

### 10. Information Concerning Parent, Subsidiaries and Affiliates

The Company is directly controlled by Barrington B. Barnes, M.D., who owns 10% of the Company's stock, and is the Company's Medical Director as well as a Company Director and by Elliot R. Wolff, who owns beneficially and of record 90% of the Company's outstanding stock and who serves as a director as well as Chief Executive Officer, President and Chairman.

### 11. Debt

The Company has no debt.

### 12. Retirement Plans, Deferred Compensation, Post employment Benefits and Compensated Absences and Other Postretirement Benefit Plans.

# Notes to Financial Statement

The Company adopted a 401(k) defined contribution plan during the fiscal year ended September 30, 1995. Employees can defer up to 15 percent of compensation through deposits into the plan, and the Company matches employee contributions up to 4.5 percent. The eligibility requirements to participate in the 401(k) plan are completion of 90 days employment and attainment of 21 years of age. The plan also permits the Company to make profit-sharing contributions for which the eligibility requirement is employment with the Company on the last day of the fiscal year.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- (1) Common stock has a par value of \$.10 per share. As of December 31, 2005, 2,000,000 shares were authorized and 1,302,500 shares were issued and outstanding.
- (2) There is no preferred stock.
- (3) There are no dividend restrictions.
- (4) There are no restrictions on the portion of the Company's profits that may be paid as ordinary dividends to stockholders.
- (5) There are no restrictions on unassigned funds (surplus).
- (6) There are no advances to surplus not repaid.
- (7) The Company does not hold stock for conversion of preferred stock, employee stock options or stock purchase warrants.
- (8) The Company does not have any special surplus funds.
- (9) The portion of the unassigned funds (surplus) represented by:
  - a. Unrealized gains and losses \$112,172
  - b. Nonadmitted asset values ( \$68,121)
  - c. Separate account business \$ -0-
  - d. Asset valuation reserves \$ -0-
  - e. Provision for reinsurance \$ -0-
- (10) The Company has no surplus notes.
- (11) The Company did not have a quasi-reorganization.

14. Contingencies

- A. Contingent Commitments  
The Company did not have any commitments to a joint venture partnership or limited liability company.
- B. Assessments  
The Company has no known assessments.
- C. The Company has no gain contingencies.
  
- D . All Other Contingencies

The Company has a claim pending in the District of Columbia Contract Appeals Board against the District for damages under the Medicaid Contract from 1994 – 1998 for premiums due for newborn enrollees under the Medicaid Contract, for failure to calculate an actuarially sound capitation rate as required by the contract and District and federal law, and for breach of the Medicaid Contract by not permitting voluntary selections and default assignments to the Company in 1997 and 1998. The District has filed a counterclaim seeking offset and damages for alleged failure by the Company to provide certain services under the Medicaid Contract, as well as a motion to dismiss the Company's claim for lack of jurisdiction. The Company has contested the District's counterclaim and motion to dismiss, and these and procedural motions are pending decision by the Contract Appeals Board.

- A hospital filed a suit against the Company on October 14, 2003, seeking payment for services provided to five individuals who are alleged to have been enrolled in the Company's HMO. The hospital claims that the Company owes it \$189,700 as payment for medical services provided to those individuals. It also seeks attorneys' fees in the amount of \$62,236. The Company's motion to dismiss this litigation is pending in the United States District Court for the District of Columbia.
  
- The Company also has litigation pending against the District in the Contract Appeals Board for damages as a result of the District's termination of the Medicaid Contract in August 2004 and for claims that arose under the Medicaid Contract.

15. Leases

- A. (1) The Company's lease for the space at 900 2<sup>nd</sup> Street, NE, was terminated on September 15<sup>th</sup> by mutual consent. The cost incurred for termination and moving is included in the current rental expense of \$104,125 for 2005. The Company is currently in a one year lease which totals \$37,506 and ends August 31, 2006.
- (2) The Company does not have any sale-leaseback transactions.
- B. Leasing is not a significant part of the Company's business activities in terms of revenue, net income or assets.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk. The Company does not have any financial instruments with off-balance sheet risk or financial instruments with concentrations of credit risk.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

The Company did not sell, transfer and service financial assets nor extinguish any liabilities.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans.  
The Company does not have any gain or loss from uninsured plans.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

The Company does not have any direct premium produced by managing general agents or third party administrators.

20. September 11 Events

The Company did not sustain any losses nor does it have any contingencies as a result of September 11 events.

21. Other Items

- A. Extraordinary Items-The Company has no extraordinary events or transactions.
- B. Troubled Debt Restructuring-The Company has no debt.

## Notes to Financial Statement

C. Other Disclosures-The Company did not have any other unusual items such as amounts not recorded in the financial statements that represent segregated funds held for others or assets pledged to others as collateral.

D. Uncollected premium balances- The Company has no uncollected premium.

E. Business Interruption Insurance Recoveries-The Company had no business interruptions that were insurable.

22. Events Subsequent

No events occurred subsequent to the close of the books or accounts for this statement that may have a material effect on the financial condition of the Company.

23. Reinsurance

A. Ceded Reinsurance Report

General Interrogatories

The Company had no reinsurance and insured no risk during 2005.

Ceded Reinsurance

(1) The Company did not have any reinsurance agreements in effect beyond December 31, 2004.

(2) The Company did not have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that exceed the total direct premium collected under the reinsured policies.

Ceded Reinsurance Report

(1) Estimated reduction in surplus of termination of ALL reinsurance agreements, by either party, as of the date of this statement -0-

(2) No new agreements have been executed or existing agreements amended to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement.

B. Uncollectible Reinsurance

The Company did not have any uncollectible reinsurance written off during the year.

C. Commutation of Ceded Reinsurance

The Company does not have commutation of ceded reinsurance.

24. Retrospectively Rated Contracts

The Company did not retrospectively rate contracts

25. Change in Incurred Claims and Claim Adjustment Expenses

There were no changes in the provision for incurred claim and claim adjustment expenses attributable to insured events of prior years.

26. Intercompany Pooling Arrangements

The Company is not a part of a group of affiliated insurers.

27. Structured Settlements - Not applicable.

28. Health Care Receivables

The Company has no health care receivables that can be quantified at this time.

29. Participating Policies

The Company does not have any participating policies.

30. Premium Deficiency Reserves

The Company booked a premium deficiency reserve in the amount of \$798,694 as of September 30, 2004 to recognize the cost to discontinue all HMO operations, which was estimated through March 2005. The Company did consider anticipated investment income when calculating the premium deficiency. The Company did not include estimates of IBNR in its Premium Deficiency Reserve. Subsequent to September 30, 2004 and prior to January 1, 2005 Medical claims and physicians incentive liability adjustments were made that reduced expenses by \$416,257. The result of that reduction of IBNR was that an expected net loss of \$359,480 was transformed into a gain of \$56,778. This change caused the Premium Deficiency Reserve to increase from \$798,694 to \$855,472 at December 31, 2004. Subsequently, based on the changes in the estimates explained above the Deficiency Reserve was reduced to zero(0) to recognize all estimated cost that had been paid through June 30, 2005.

31. Anticipated Salvage and Subrogation

The Company did not reduce the liability for unpaid claims or losses for any amounts related to salvage or subrogation.

32. Minimum Net Worth - General Interrogatory Part 2 - #2 Line 11.6

Under the law of the District of Columbia, the Company is required to maintain a minimum net worth equal to the greatest of \$1,000 000, 2% of annual revenues, the sum of three months of uncovered expenses, or 4% of hospital expenditures paid on a managed care basis plus 8% of annual healthcare expenditures not paid on either a capitated or managed care basis. The Company is in compliance with this law.

Annual revenue	\$0 x 2% =	<u>\$0</u>
Healthcare expenditures		
@ 4%	\$0 x 4% =	\$0
@ 8%	\$ 0 x 8% =	\$ 0
	total	<u>0</u>
Minimum dollar amount		= <u>\$1,000,000</u>



**SUMMARY INVESTMENT SCHEDULE**

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities .....	150,000	6.760	150,000	6.782
1.2	U.S. government agency obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies .....				
1.22	Issued by U.S. government sponsored agencies .....				
1.3	Foreign government (including Canada, excluding mortgage-backed securities) .....				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations .....	1,120,981	50.516	1,060,902	47.966
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations .....	298,672	13.459	293,756	13.281
1.43	Revenue and assessment obligations .....				
1.44	Industrial development and similar obligations .....				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Issued or Guaranteed by GNMA .....				
1.512	Issued or Guaranteed by FNMA and FHLMC .....				
1.513	All other .....				
1.52	CMOs and REMICs:				
1.521	Issued or guaranteed by GNMA, FNMA, FHLMC or VA .....				
1.522	Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 .....				
1.523	All other .....				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....				
2.2	Unaffiliated foreign securities .....				
2.3	Affiliated securities .....				
3.	Equity interests:				
3.1	Investments in mutual funds .....				
3.2	Preferred stocks:				
3.21	Affiliated .....				
3.22	Unaffiliated .....	28,000	1.262	28,000	1.266
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated .....				
3.32	Unaffiliated .....	621,430	28.004	621,430	28.096
3.4	Other equity securities:				
3.41	Affiliated .....				
3.42	Unaffiliated .....				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated .....				
3.52	Unaffiliated .....				
4.	Mortgage loans:				
4.1	Construction and land development .....				
4.2	Agricultural .....				
4.3	Single family residential properties .....				
4.4	Multifamily residential properties .....				
4.5	Commercial loans .....				
4.6	Mezzanine real estate loans .....				
5.	Real estate investments:				
5.1	Property occupied by company .....				
5.2	Property held for production of income (including \$..... of property acquired in satisfaction of debt) .....				
5.3	Property held for sale (including \$..... property acquired in satisfaction of debt) .....				
6.	Contract loans .....				
7.	Receivables for securities .....				
8.	Cash, cash equivalents and short-term investments .....			57,703	2.609
9.	Other invested assets .....				
10.	Total invested assets .....	2,219,083	100.000	2,211,791	100.000

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**  
**GENERAL**

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[ ] No[X]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[ ] No[ ] N/A[X]  
District of Columbia
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[ ] No[X]
- 2.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.

.....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

.....12/31/2002.....
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

.....04/06/2004.....
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

.....04/06/2004.....
- 3.4 By what department or departments?  
District of Columbia, Department of Insurance , Banking and Securities
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business?

Yes[ ] No[X]
- 4.12 renewals?

Yes[ ] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business?

Yes[ ] No[X]
- 4.22 renewals?

Yes[ ] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....	.....	.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes[ ] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[ ] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

..... %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity
.....	.....

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[ ] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[ ] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
.....	.....	.. Yes[ ] No[X] ..	.. Yes[ ] No[X] ..	.. Yes[ ] No[X] ..	.. Yes[ ] No[X] ..	.. Yes[ ] No[X] ..

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
F.S. Taylor & Associates, P.C., 927 15th Street,NW, Suite 200, Washington, DC 20005
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
0
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes[ ] No[X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved
- 11.13 Total book/adjusted carrying value

\$
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[ ] No[X] N/A[ ]
- 12.3 Have there been any changes made to any of the trust indentures during the year?

Yes[ ] No[ ] N/A[X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes[ ] No[ ] N/A[X]

**GENERAL INTERROGATORIES (Continued)**  
**BOARD OF DIRECTORS**

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes[X] No[ ]
14. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[ ]
15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes[X] No[ ]

**FINANCIAL**

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11 To directors or other officers

16.12 To stockholders not officers

16.13 Trustees, supreme or grand (Fraternal only)

\$ .....  
\$ .....  
\$ .....
- 16.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21 To directors or other officers

16.22 To stockholders not officers

16.23 Trustees, supreme or grand (Fraternal only)

\$ .....  
\$ .....  
\$ .....
- 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes[ ] No[X]
- 17.2 If yes, state the amount thereof at December 31 of the current year:

17.21 Rented from others

17.22 Borrowed from others

17.23 Leased from others

17.24 Other

\$ .....  
\$ .....  
\$ .....  
\$ .....
- 18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes[ ] No[X]
- 18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment

18.22 Amount paid as expenses

18.23 Other amounts paid

\$ .....  
\$ .....  
\$ .....
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[ ] No[X]
- 19.2 If yes, indicate any amounts receivable from parent included in the page 2 amount:

\$ .....

**INVESTMENT**

- 20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes[X] No[ ]
- 20.2 If no, give full and complete information, relating thereto:
- 21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1).

Yes[ ] No[X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Loaned to others

21.22 Subject to repurchase agreements

21.23 Subject to reverse repurchase agreements

21.24 Subject to dollar repurchase agreements

21.25 Subject to reverse dollar repurchase agreements

21.26 Pledged as collateral

21.27 Placed under option agreements

21.28 Letter stock or securities restricted as to sale

21.29 Other

\$ .....  
\$ .....  
\$ .....  
\$ .....  
\$ .....  
\$ .....  
\$ .....  
\$ .....  
\$ .....
- 21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
- 22.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes[ ] No[X]
- 22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes[ ] No[ ] N/A[X]
- 23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes[ ] No[X]
- 23.2 If yes, state the amount thereof at December 31 of the current year.

\$ .....
24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[ ]
- 24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
PNC Advisors .....	808 17th St NW, Washington, DC 20006 .....
Fidelity Investments .....	1900 K St NW Ste 110, Washionjgton, DC 20006 .....
Salomon Smith Barney Inc. ....	1850 K St NW, Ste 900, Washington DC 20006 .....

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes[X] No[ ]

**GENERAL INTERROGATORIES (Continued)**

24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Riggs Bank, NA .....	PNC Bank .....	05/13/2005 .	Acquisition .....

24.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....	.....	.....

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])?

Yes[ ] No[X]

25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
25.2999 Total .....	.....	.....

25.3 For each mutual fund listed in the table above, complete the following schedule:

1  Name of Mutual Fund (from above table)	2  Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4  Date of Valuation
.....	.....	.....	.....

26. Provide the following information for all short term and long term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1  Statement (Admitted) Value	2  Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds .....	..... 1,504,659	..... 1,581,736	..... 77,077
26.2 Preferred stocks .....	..... 28,000	..... 28,000	.....
26.3 Totals .....	..... 1,532,659	..... 1,609,736	..... 77,077

26.4 Describe the sources of methods utilized in determining the fair values  
The Company uses fair values obtained from acceptable vendors of pricing information through the NYSE, AMEX or from acceptable institutions.

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes[X] No[ ]

27.2 If no, list exceptions:

**OTHER**

28.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?

\$ .....

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....

29.1 Amount of payments for legal expenses, if any?

\$ ..... 618

29.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any?

\$ .....

30.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

**GENERAL INTERROGATORIES (Continued)**

1 Name	2 Amount Paid
.....	.....

**GENERAL INTERROGATORIES (Continued)**

**PART 2 - HEALTH INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[ ] No[X]
- 1.2 If yes, indicate premium earned on U.S. business only:

\$ .....
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ .....
- 1.31 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ .....
- 1.6 Individual policies - Most current three years:
- 1.61 Total premium earned

\$ .....
- 1.62 Total incurred claims

\$ .....
- 1.63 Number of covered lives

\$ .....
- All years prior to most current three years:
- 1.64 Total premium earned

\$ .....
- 1.65 Total incurred claims

\$ .....
- 1.66 Number of covered lives

\$ .....
- 1.7 Group policies - Most current three years:
- 1.71 Total premium earned

\$ .....
- 1.72 Total incurred claims

\$ .....
- 1.73 Number of covered lives

\$ .....
- All years prior to most current three years:
- 1.74 Total premium earned

\$ .....
- 1.75 Total incurred claims

\$ .....
- 1.76 Number of covered lives

\$ .....

2. Health Test

		1	2
		Current Year	Prior Year
2.1	Premium Numerator .....		6,306,946
2.2	Premium Denominator .....		6,306,946
2.3	Premium Ratio (2.1 / 2.2) .....		1.000
2.4	Reserve Numerator .....		250,250
2.5	Reserve Denominator .....		1,133,924
2.6	Reserve Ratio (2.4 / 2.5) .....		0.221

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[ ] No[X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes[X] No[ ]
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[ ] No[X]
- 5.1 Does the reporting entity have stop-loss reinsurance?

Yes[ ] No[X]
- 5.2 If no, explain:

The Plan has no members are policies enforce.
- 5.3 Maximum retained risk (see instructions):
- 5.31 Comprehensive Medical

\$ .....
- 5.32 Medical Only

\$ .....
- 5.33 Medicare Supplement

\$ .....
- 5.34 Dental

\$ .....
- 5.35 Other Limited Benefit Plan

\$ .....
- 5.36 Other

\$ .....
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
The clause requires contracting providers to look exclusively to the Plan for reimbursement for covered services and the agreement survives bankruptcy, insolvency and liquidation of the Plan. In addition, until September 1, 2004 the Company's reinsurance policy included insolvency coverage.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service data base?

Yes[ ] No[X]
- 7.2 If no, give details:

The Plan has no outstanding claims, therefore this is not applicable.
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year

781
- 8.2 Number of providers at end of reporting year

781
- 9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[ ] No[X]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months

0
- 9.22 Business with rate guarantees over 36 months

0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes[X] No[ ]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses

\$ .....
- 10.22 Amount actually paid for year bonuses

\$ .....
- 10.23 Maximum amount payable withholds

\$ .....
- 10.24 Amount actually paid for year withholds

\$ .....
- 11.1 Is the reporting entity organized as:
- 11.12 A medical Group/Staff Model,

Yes[ ] No[X]
- 11.13 An Individual Practice Association (IPA), or,

Yes[X] No[ ]
- 11.14 A Mixed Model (combination of above)?

Yes[ ] No[X]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes[X] No[ ]
- 11.3 If yes, show the name of the state requiring such net worth.

District of Columbia
- 11.4 If yes, show the amount required.

\$ ..... 1,000,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes[ ] No[X]
- 11.6 If the amount is calculated, show the calculation.  
Calculation will not fit on this line; please see Notes to Financial Statements added as #32
12. List service areas in which the reporting entity is licensed to operate:

1
Name of Service Area
District of Columbia .....

FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
<b>BALANCE SHEET ITEMS (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 26) .....	2,249,867	2,669,702	3,712,903	4,540,533	5,393,007
2. Total liabilities (Page 3, Line 22) .....	63,486	1,526,690	2,123,623	3,029,111	3,410,971
3. Statutory surplus .....	1,000,000	1,000,000	1,000,000	1,511,422	1,982,036
4. Total capital and surplus (Page 3, Line 31) .....	2,186,381	1,143,012	1,589,280	1,511,422	1,982,036
<b>INCOME STATEMENT ITEMS (Page 4)</b>					
5. Total revenues (Line 8) .....	393,206	6,319,147	8,798,336	7,001,784	5,954,310
6. Total medical and hospital expenses (Line 18) .....	(167,653)	3,683,094	6,586,966	5,781,795	3,758,734
7. Claims adjustment expenses (Line 20) .....		322,593	493,668		
8. Total administrative expenses (Line 21) .....	528,307	1,729,384	1,751,959	1,586,997	2,319,841
9. Net underwriting gain (loss) (Line 24) .....	888,024	(214,618)	(34,257)	(584,308)	(124,265)
10. Net investment gain (loss) (Line 27) .....	115,809	(162,301)	116,121	161,603	240,362
11. Total other income (Lines 28 plus 29) .....		(48,457)	(500)		
12. Net income or (loss) (Line 32) .....	1,003,833	(425,376)	81,364	(422,705)	116,097
<b>RISK-BASED CAPITAL ANALYSIS</b>					
13. Total adjusted capital .....	2,186,381	1,143,012	1,589,280	1,511,422	1,982,036
14. Authorized control level risk-based capital .....	97,994	254,364	380,391	344,684	878,599
<b>ENROLLMENT (Exhibit 1)</b>					
15. Total members at end of period (Column 5, Line 7) .....		14	3,869	3,565	3,194
16. Total members months (Column 6, Line 7) .....		31,001	44,387	39,896	38,355
<b>OPERATING PERCENTAGE (Page 4)</b>					
(Item divided by Page 4, sum of Lines 2, 3 and 5)x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus Line 19) ..					
19. Cost containment expenses .....			X X X	X X X	X X X
20. Other claims adjustment expenses .....		5			
21. Total underwriting deductions (Line 23) .....		104	101	108	102
22. Total underwriting gain (loss) (Line 24) .....		(3)	0	(8)	(2)
<b>UNPAID CLAIMS ANALYSIS</b>					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Column 5) .....	193,176	1,033,441	2,473,415	2,874,636	1,730,692
24. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)] .....	360,829	1,857,822	2,635,731	2,604,236	2,501,621
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
25. Affiliated bonds (Sch. D Summary, Line 25, Column 1) .....					
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1) .....					
27. Affiliated common stocks (Sch. D Summary, Line 53, Column 2) .....					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 11) .....					
29. Affiliated mortgage loans on real estate .....					
30. All other affiliated .....					
31. Total of above Lines 25 to 30 .....					

**SCHEDULE D - SUMMARY BY COUNTRY**  
**Long-Term Bonds and Stocks OWNED December 31 of Current Year**

Description			1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States .....				
	2.	Canada .....				
	3.	Other Countries .....				
	4.	Totals .....				
States, Territories and Possessions (Direct and Guaranteed)	5.	United States .....	1,120,981	1,130,765	1,065,271	1,050,000
	6.	Canada .....				
	7.	Other Countries .....				
	8.	Totals .....	1,120,981	1,130,765	1,065,271	1,050,000
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States .....	298,672	300,971	292,455	295,000
	10.	Canada .....				
	11.	Other Countries .....				
	12.	Totals .....	298,672	300,971	292,455	295,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States .....				
	14.	Canada .....				
	15.	Other Countries .....				
	16.	Totals .....				
Public Utilities (unaffiliated)	17.	United States .....				
	18.	Canada .....				
	19.	Other Countries .....				
	20.	Totals .....				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States .....				
	22.	Canada .....				
	23.	Other Countries .....				
	24.	Totals .....				
Parent, Subsidiaries and Affiliates	25.	Totals .....				
	26.	Total Bonds .....	1,419,653	1,431,736	1,357,726	1,345,000
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States .....				
	28.	Canada .....				
	29.	Other Countries .....				
	30.	Totals .....				
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States .....	28,000	28,000	25,286	
	32.	Canada .....				
	33.	Other Countries .....				
	34.	Totals .....	28,000	28,000	25,286	
Industrial and Miscellaneous (unaffiliated)	35.	United States .....				
	36.	Canada .....				
	37.	Other Countries .....				
	38.	Totals .....				
Parent, Subsidiaries and Affiliates	39.	Totals .....				
	40.	Total Preferred Stocks .....	28,000	28,000	25,286	
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States .....				
	42.	Canada .....				
	43.	Other Countries .....				
	44.	Totals .....				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States .....				
	46.	Canada .....				
	47.	Other Countries .....				
	48.	Totals .....				
Industrial and Miscellaneous (unaffiliated)	49.	United States .....	621,430	621,430	535,292	
	50.	Canada .....				
	51.	Other Countries .....				
	52.	Totals .....	621,430	621,430	535,292	
Parent, Subsidiaries and Affiliates	53.	Totals .....				
	54.	Total Common Stocks .....	621,430	621,430	535,292	
	55.	Total Stocks .....	649,430	649,430	560,578	
	56.	Total Bonds and Stocks .....	2,069,083	2,081,166	1,918,304	

**SCHEDULE D - Verification Between Years**  
**Bonds and Stocks**

1. Book/adjusted carrying value of bonds and stocks, prior year. .	<u>2,533,294</u>	7. Amortization of premium.....	<u>42,938</u>
2. Cost of bonds and stocks acquired, Column 7, Part 3. ....	<u>374,029</u>	8. Foreign Exchange Adjustment:	
3. Accrual of discount .....		8.1 Column 15, Part 1.....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1.....	
4.1 Columns 12 - 14, Part 1.....		8.3 Column 16, Part 2, Section 2.....	
4.2 Column 15 - 17, Part 2, Section 1.....		8.4 Column 15, Part 4.....	
4.3 Column 15, Part 2, Section 2.....		9. Book/adjusted carrying value at end of current period.....	<u>2,068,415</u>
4.4 Column 11 - 13, Part 4.....	<u>3,802</u>	10. Total valuation allowance.....	
5. Total gain (loss), Column 19, Part 4.....	<u>2,763</u>	11. Subtotal (Lines 9 plus 10).....	<u>2,068,415</u>
6. Deduct consideration for bonds and stocks disposed of		12. Total nonadmitted assets.....	<u>64,995</u>
Column 7, Part 4.....	<u>802,534</u>	13. Statement value of bonds and stocks, current period.....	<u>2,003,420</u>



**49     Schedule S - Part 6 ..... NONE**

**50     Schedule T - Premiums and Other Considerations ..... NONE**

**50.1     Schedule T - Pt 2 - Interstate Compact Products ..... NONE**

**51     Schedule Y - Part 1 ..... NONE**

**52     Schedule Y - Part 2 ..... NONE**